

REPORT OF QUALIFYING EXAMINATION
OF THE
NATIONS INSURANCE COMPANY
AS OF
NOVEMBER 21, 2007

Filed November 28, 2007

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Los Angeles, California
November 27, 2007

Honorable Steve Poizner
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, a qualifying examination was made of the

NATIONS INSURANCE COMPANY

(hereinafter also referred to as the Company) at its statutory home office is located at 535 Brand Boulevard, Suite 705, Glendale, California 91203.

SCOPE OF EXAMINATION

This examination was conducted to determine if the Company's financial condition meets the minimum statutory requirements prescribed by the California Insurance Code for the issuance of a Certificate of Authority to transact automobile and liability business in the State of California.

The qualifying examination included a review of the Company's financial statements and capital structure as of November 21, 2007.

COMPANY HISTORY

The Company was incorporated in the State of California on November 28, 2006 under the name of Nations Insurance Company. On December 6, 2006, the Company filed with the Insurance Commissioner of the State of California its application for a permit authorizing it to sell and issue forty three thousand three hundred thirty four (43,334) shares of its sixty dollar (\$60) par value capital stock per share to Raimundo Ruiz, and Elias K. Assaf at a price of two hundred thirty dollars and seventy seven cents (\$230.77) a share, for an aggregate purchase price of ten million one hundred eighty seven dollars and eighteen cents (\$10,000,187.18). The purpose of the sale and issuance is to capitalize the Company in order to receive a Certificate of Authority to transact automobile, disability and liability insurance in the State of California.

On October 19, 2007, the Company filed an amendment to its application to amend its address, submit amended Articles of Incorporation and Bylaws, and deleted all references to disability insurance as a class of insurance to be transacted by the Company.

On October 29, 2007, the California Department of Insurance issued Organizational Securities Permit Number APP-2006-00684 authorizing the Company to solicit, sell and issue its shares of stock as follows:

Authorization A: To solicit and sell to Elias K. Assaf and Raimundo Ruiz an aggregate of not to exceed forty three thousand three hundred thirty four (43,334) shares of its sixty dollar (\$60.00) par value capital stock at a purchase price of two hundred thirty dollars and seventy seven cents (\$230.77) per share, in cash, lawful money of the United States, for a total cash consideration in an amount not less than ten million one hundred eighty seven dollars and eighteen cents (\$10,000, 187.18) and;

Authorization B: Upon receiving a Certificate of Authority authorizing the transaction of the classes of liability and automobile in California, then to issue and deliver within sixty (60) days, certificates representing forty three thousand three hundred thirty four (43,334) shares of its sixty dollar (\$60.00) par value per share capital stock to Nations Insurance Company.

The stock permit contains a number of standard conditions that the Company must comply with for the issuance and the maintenance of a Certificate of Authority.

In its first report of transactions dated November 19, 2007, the Company reported that it sold 43,334 shares of its common stock to Elias K. Assaf and Raimundo Ruiz, at a purchase price of two hundred thirty dollars and seventy seven cents (\$230.77) per share for gross proceeds of ten million one hundred eighty seven dollars and eighteen cents (\$10,000,187.18).

MANAGEMENT AND CONTROL

The Company is owned 86% by Elias K. Assaf, an individual and 14% by Raimundo Ruiz, an individual.

The management of the Company is under the control of a three-member board of directors. The directors and officers duly elected and serving as of November 8, 2007, are shown as follows:

Director

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Elias K. Assaf Huntington Beach, California	President, Secretary and Chairman of the Board Nations Insurance Company
Raimundo Ruiz Valencia, California	President Multi-State Insurance Services
Zeina K. Assaf Huntington Beach, California	Director Nations Insurance Company

Principal Officers

Name

Title

Elias K. Assaf

President and Secretary

Timothy N. Jenson

Chief Financial Officer

Management Agreements

Claims Management Agreement: The Company will enter into a claims management agreement with its affiliate, Multi-State Insurance Services (MSIS) upon the issuance of a Certificate of Authority. MSIS services will include processing, investigating, adjusting, compromising, defending, litigating, supervising and payment of claims. As compensation, the services will be made available on a cost allocation basis.

Program Management Agreement: The Company will enter into a program management agreement with MSIS upon the issuance of a Certificate of Authority. MSIS will provide the Company with accounting, marketing, administrative, underwriting, computer programming, personnel and other management services. These services will be provided on a cost allocation basis.

CORPORATE RECORDS

The Company's Articles of Incorporation and Bylaws, as filed with the California Secretary of State, were submitted to and reviewed by the California Department of Insurance. No discrepancies were noted with respect to these items.

TERRITORY AND PLAN OF OPERATION

The Company applied for a Certificate of Authority for automobile and liability insurance. The Company plans to write minimum limits non-standard private passenger automobile insurance in California. The Company will market its business through its affiliate, Multi-State Insurance Services.

REINSURANCE

The Company has no plans to obtain reinsurance.

ACCOUNTS AND RECORDS

The Company's accounting, claims, underwriting and marketing functions will be performed at its administrative office in Glendale, California. The Company's corporate records will be maintained at its statutory home office, which is also located in Glendale, California.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of November 21, 2007

Statement of Financial Condition
as of November 21, 2007

<u>Assets</u>	Net Admitted <u>Assets</u>	<u>Notes</u>
Cash in bank	<u>\$ 10,000,187</u>	(1)
Total assets	<u>\$ 10,000,187</u>	
<u>Liabilities, Surplus and Other Funds</u>		
Payable to parent, subsidiaries and affiliates	<u>\$ 0</u>	(2)
Total liabilities	0	
Common capital stock	\$ 2,600,040	
Gross paid-in and contributed surplus	7,400,147	
Unassigned funds (surplus)	<u>0</u>	
Surplus as regards policyholders	<u>10,000,187</u>	
Total liabilities, capital and surplus	<u>\$ 10,000,187</u>	

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Cash in Bank

As of November 21, 2007, \$10,000,187 in cash was confirmed at BNY Mellon, 400 South Hope Street, Suite 400, Los Angeles, California, account number 10501275000. The funds were in the name of the Company and were free, clear and unencumbered.

(2) Payable to Parent, Subsidiaries and Affiliates

The Company's affiliate, Multi-State Insurance Services, Inc., absorbed all of the organizational expenses associated with the formation of the Company.

AFFIDAVIT

Attached as Exhibit A is the Affidavit executed by Elias K. Assaf, President, attesting to the assets, liabilities and capital of the Company as of the examination date.

CONCLUSION

The undersigned has verified the financial position of the Company as of November 21, 2007, and has reviewed its application for a Certificate of Authority. The Company has now complied with the financial condition of its Organizational Permit, and if all other requirements have been met, there is no objection to the issuance of a Certificate of Authority.

Respectfully submitted,

/S/

Anjanette D. Briggs
Examiner-In-Charge
Associate Insurance Examiner
Department of Insurance
State of California

**BEFORE THE DEPARTMENT OF INSURANCE
OF THE
STATE OF CALIFORNIA**

In the matter of the Qualifying Examination of)	
NATIONS INSURANCE COMPANY)	OFFICER'S
a California corporation, for a Certificate of Authority)	AFFIDAVIT
to transact as an insurer in the State of California)	

TO THE HONORABLE STEVE POIZNER, INSURANCE COMMISSIONER OF THE STATE OF CALIFORNIA:

I, Elias K. Assaf, President of Nations Insurance Company, a California Corporation, declare under penalty of perjury that I am the duly elected officer of Nations Insurance Company, and I am authorized to make the following declarations on behalf of said corporation.

I do hereby certify and declare under penalty of perjury that the cash and investment account of Nations Insurance Company totals \$10,000,187 (including interest) as of November 21, 2007. Said assets are the property of Nations Insurance Company, on said date and are deposited with BNY Mellon, 400 South Hope Street, Suite 400, Los Angeles, California 90071 in the account numbered 10501275000 account balance of \$10,000,187.

Affiant represents that on November 21, 2007, Nations Insurance Company's common capital stock and gross paid in and contributed surplus of \$10,000,187 was for the sole and exclusive use and benefit of Nations Insurance Company in its corporate capacity and that no part or portion thereof has been impaired.


Affiant further represent that the assets of Nations Insurance Company are in the sum of \$10,000,187. There are liabilities in the amount of \$0 and surplus as regards policyholders in the amount of \$10,000,187.

Affiant further represents, according to the best of his knowledge, information and belief, that there was and is no intention or design existing on the part of any person or persons whatsoever to withdraw any part or portion of said capital until same is wanted for investment or to be otherwise legitimately used or appropriated to and for the sole and exclusive use and benefit of the said corporation in its corporate capacity in the strict conformity with the statute in such case made and provided and that there exists no agreement of any nature whatsoever whereby Nations Insurance Company guarantees in any way any obligation or commitment of any person or persons except as has been fully disclosed to the California Department of Insurance and for which express written approval has been received from the California Insurance Commissioner; and that there is no agreement, arrangement or understanding, either expressed or implied, made or existing between the said corporation and its officers, or any

EXHIBIT A

person or persons, to the effect of import that the money paid in or any part thereof, shall be loaned or returned to them or to any other persons for its or their use or accommodation, on the hypothecation of stock of said corporation as security thereof, or upon any other securities, terms or conditions whatsoever; and, further, that said corporation is not, or are any of its officers, in any way, manner or form pledged or committed to make any investments, loan or disposition of said capital or any portion thereof, which is not in strict conformity, in all respects, with the provisions of the insurance laws of the State of California.

NATIONS INSURANCE COMPANY


Elias K. Assaf
President

Dated November 27, 2007

Subscribed or sworn to before me this
27th day of November, 2007


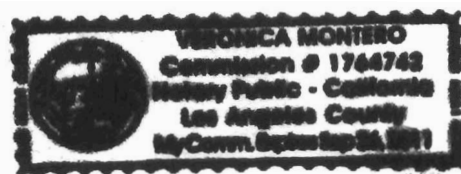

Notary Public

EXHIBIT A